



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements Audit Report

Town of Yarrow Point

King County

For the period January 1, 2012 through December 31, 2014

Published October 29, 2015

Report No. 1015444





Washington State Auditor's Office

October 29, 2015

Mayor and Town Council
Town of Yarrow Point
Bellevue, Washington

Report on Financial Statements

Please find attached our report on the Town of Yarrow Point's financial statements.

We are issuing this report in order to provide information on the Town's financial condition.

Sincerely,

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Town of Yarrow Point
King County
January 1, 2012 through December 31, 2014**

Mayor and Town Council
Town of Yarrow Point
Bellevue, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Town of Yarrow Point, King County, Washington, as of and for the years ended December 31, 2014, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Town's financial statements, and have issued our report thereon dated October 22, 2015.

We issued an unmodified opinion on the fair presentation of the Town's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the Town using accounting practices prescribed by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial

statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of the Town's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other

purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

October 22, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Town of Yarrow Point King County January 1, 2012 through December 31, 2014

Mayor and Town Council
Town of Yarrow Point
Bellevue, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Town of Yarrow Point, King County, Washington, for the years ended December 31, 2014, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Town's financial statements, as listed on page 11.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the Town of Yarrow Point has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town of Yarrow Point, for the years ended December 31, 2014, 2013 and 2012, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the Town used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States

of America, the financial position of the Town of Yarrow Point, as of December 31, 2014, 2013 and 2012, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Other Matters

Supplementary and Other Information

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2015 on our consideration of the Town’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That

report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

October 22, 2015

FINANCIAL SECTION

**Town of Yarrow Point
King County
January 1, 2012 through December 31, 2014**

FINANCIAL STATEMENTS

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Town of Yarrow Point
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

		Total for All Funds (Memo Only)	001 Current Expense	101 Current Expense	103 Contingency
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	1,553,643	465,660	2,011	281,468
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	1,284,908	1,013,205	-	-
320	Licenses and Permits	489,556	15	-	-
330	Intergovernmental Revenues	45,621	14,771	20,937	-
340	Charges for Goods and Services	65,395	-	-	-
350	Fines and Penalties	5,906	5,906	-	-
360	Miscellaneous Revenues	60,684	52,750	54	361
Total Operating Revenues:		1,952,069	1,086,647	20,991	361
Operating Expenditures					
510	General Government	289,886	289,886	-	-
520	Public Safety	636,559	636,559	-	-
530	Utilities	-	-	-	-
540	Transportation	111,929	-	106,827	-
550	Natural and Economic Environment	194,177	5,166	-	-
560	Social Services	253	253	-	-
570	Culture and Recreation	10,547	10,547	-	-
Total Operating Expenditures:		1,243,351	942,411	106,827	-
Net Operating Increase (Decrease):		708,718	144,236	(85,836)	361
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	-	-	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	488,043	-	85,000	-
Total Nonoperating Revenues:		488,043	-	85,000	-
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	-	-	-	-
591-593	Debt Service	-	-	-	-
594-595	Capital Expenditures	103,550	-	1,138	-
597	Transfers-Out	488,043	-	-	-
Total Nonoperating Expenditures:		591,593	-	1,138	-
Net Increase (Decrease) in Cash and Investments:		605,168	144,236	(1,974)	361
Ending Cash and Investments					
50810	Reserved	-	-	-	-
50880	Unreserved	2,158,812	609,896	37	281,829

The accompanying notes are an integral part of this statement.

104 Community Development	211 Bond Redemption	301 Capital Improvement 1	304 Capital Improvement IV	311 Current Expense	401 Current Expense
-	-	-	-	-	-
311,257	3,042	132,929	128,763	153,872	74,642
-	-	-	-	-	-
-	-	139,308	132,395	-	-
358,210	-	-	-	131,331	-
9,913	-	-	-	-	-
-	-	-	-	-	65,395
-	-	-	-	-	-
362	-	76	6,989	-	93
368,484	-	139,384	139,384	131,331	65,488
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	5,102
189,011	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
189,011	-	-	-	-	5,102
179,473	-	139,384	139,384	131,331	60,386
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	403,043	-
-	-	-	-	403,043	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	102,412	-
225,000	3,043	80,000	80,000	-	100,000
225,000	3,043	80,000	80,000	102,412	100,000
(45,527)	(3,043)	59,384	59,384	431,962	(39,614)
-	-	-	-	-	-
265,729	-	192,313	188,147	585,834	35,029

The accompanying notes are an integral part of this statement.

Town of Yarrow Point
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2013

		Total for All Funds (Memo Only)	001 Current Expense	101 Current Expense	103 Contingency
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	1,291,866	392,819	6,907	280,996
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	1,114,126	904,927	-	-
320	Licenses & Permits	450,282	30	-	-
330	Intergovernmental Revenues	35,390	14,010	21,913	-
340	Charges for Goods and Services	66,459	54	-	-
350	Fines & Penalties	7,900	7,900	-	-
360	Miscellaneous Revenues	51,696	50,362	70	471
Total Operating Revenues:		1,725,852	977,282	21,983	471
Operating Expenditures					
510	General Government	266,112	266,112	-	-
520	Public Safety	625,613	625,613	-	-
530	Utilities	-	-	-	-
540	Transportation	84,008	-	76,800	-
550	Natural and Economic Environment	244,645	-	-	-
560	Social Services	188	188	-	-
570	Culture And Recreation	7,526	7,526	-	-
Total Operating Expenditures:		1,228,092	899,440	76,800	-
Net Operating Increase (Decrease):		497,760	77,843	(54,817)	471
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	-	-	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	375,000	-	75,000	-
Total Nonoperating Revenues:		375,000	-	75,000	-
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	-	-	-	-
591-593	Debt Service	36,946	-	-	-
594-595	Capital Expenditures	199,035	-	25,079	-
597	Transfers-Out	375,000	5,000	-	-
Total Nonoperating Expenditures:		610,981	5,000	25,079	-
Net Increase (Decrease) in Cash and Investments:		261,779	72,843	(4,896)	471
Ending Cash and Investments					
50810	Reserved	-	-	-	-
50880	Unreserved	1,553,643	465,660	2,011	281,468

The accompanying notes are an integral part of this statement.

104 Community Development	211 Bond Redemption	301 Capital Improvement 1	304 Capital Improvement IV	311 Current Expense	401 Current Expense
-	-	-	-	-	-
105,711	5,606	211,138	211,158	62,208	15,322
-	-	-	-	-	-
-	-	106,692	102,507	-	-
450,252	-	-	-	-	-
(533)	-	-	-	-	-
-	-	-	-	-	66,406
-	-	-	-	-	-
473	1	98	98	-	122
450,192	1	106,790	102,605	-	66,528
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	7,207
244,645	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
244,645	-	-	-	-	7,207
205,547	1	106,790	102,605	-	59,321
-	-	-	-	-	-
-	-	-	-	-	-
-	34,381	-	-	265,619	-
-	34,381	-	-	265,619	-
-	-	-	-	-	-
-	36,946	-	-	-	-
-	-	-	-	173,956	-
-	-	185,000	185,000	-	-
-	36,946	185,000	185,000	173,956	-
205,547	(2,564)	(78,210)	(82,395)	91,663	59,321
-	-	-	-	-	-
311,257	3,042	132,929	128,763	153,872	74,642

The accompanying notes are an integral part of this statement.

Town of Yarrow Point
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2012

		Total for All Funds (Memo Only)	001 Current Expense	101 Street Fund	103 Contingency
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	1,084,286	474,832	8,507	280,597
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	1,153,927	821,072	-	-
320	Licenses & Permits	280,558	251	-	-
330	Intergovernmental Revenues	51,423	13,643	20,128	-
340	Charges for Goods and Services	97	97	-	-
350	Fines & Penalties	8,571	7,537	1,034	-
360	Miscellaneous Revenues	43,276	42,214	119	400
Total Operating Revenues:		1,537,853	884,815	21,280	400
Operating Expenditures					
510	General Government	250,411	250,411	-	-
520	Public Safety	617,908	617,908	-	-
530	Utilities And Environment	845	845	-	-
540	Transportation	93,370	-	68,683	-
550	Economic Environment	253,547	1,518	-	-
560	Mental & Physical Health	216	216	-	-
570	Culture And Recreation	5,931	5,931	-	-
598	Intergovernmental Payments	-	-	-	-
Total Operating Expenditures:		1,222,228	876,829	68,683	-
Net Operating Increase (Decrease):		315,625	7,986	(47,403)	400
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	-	-	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	180,000	-	50,000	-
Total Nonoperating Revenues:		180,000	-	50,000	-
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	-	-	-	-
591-593	Debt Service	88,884	-	-	-
594-595	Capital Expenditures	19,162	-	4,197	-
597	Transfers-Out	180,000	90,000	-	-
Total Nonoperating Expenditures:		288,046	90,000	4,197	-
Net Increase (Decrease) in Cash and Investments:		207,579	(82,014)	(1,600)	400
Ending Cash and Investments					
50810	Reserved	-	-	-	-
50880	Unreserved	1,291,865	392,819	6,907	280,996

The accompanying notes are an integral part of this statement.

104 Community Development	211 Bond Redemption	301 Capital Improvement 1	304 Capital Improvement IV	311 Current Year Capital	401 Stormwater
-	-	-	-	-	-
59,644	4,456	89,539	89,539	77,173	-
-	-	-	-	-	-
-	-	166,427	166,427	-	-
280,307	-	-	-	-	-
17,653	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
136	34	172	192	-	10
298,096	34	166,600	166,619	-	10
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	24,687
252,030	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
252,030	-	-	-	-	24,687
46,066	34	166,600	166,619	-	(24,677)
-	-	-	-	-	-
-	-	-	-	-	-
-	90,000	-	-	-	40,000
-	90,000	-	-	-	40,000
-	-	-	-	-	-
-	88,884	-	-	-	-
-	-	-	-	14,965	-
-	-	45,000	45,000	-	-
-	88,884	45,000	45,000	14,965	-
46,066	1,150	121,600	121,619	(14,965)	15,323
-	-	-	-	-	-
105,711	5,606	211,138	211,158	62,208	15,322

The accompanying notes are an integral part of this statement.

Town of Yarrow Point
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

		Total for All Funds (Memo Only)	601 Current Expense	622 Current Expense	623 Current Expense
308	Beginning Cash and Investments	190,438	-	83,993	96,092
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	12,878	-	-	12,873
380-390	Other Increases and Financing Sources	44,287	-	39,491	-
510-570	Expenditures	14,479	-	-	14,479
580-590	Other Decreases and Financing Uses	23,787	-	19,081	-
Net Increase (Decrease) in Cash and Investments:		18,899	-	20,410	(1,606)
508	Ending Cash and Investments	209,335	-	104,402	94,486

		631 Agency Remittance	650 Current Expense
308	Beginning Cash and Investments	7,122	3,231
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	5
380-390	Other Increases and Financing Sources	4,796	-
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	4,706	-
Net Increase (Decrease) in Cash and Investments:		90	5
508	Ending Cash and Investments	7,212	3,235

The accompanying notes are an integral part of this statement.

Town of Yarrow Point
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2013

		Total for All Funds (Memo Only)	601 Current Expense	622 Current Expense	623 Current Expense
308	Beginning Cash and Investments	138,578	5,117	47,999	81,799
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	15,470	-	-	15,465
380-390	Other Increases and Financing Sources	54,170	-	42,369	5,117
510-570	Expenditures	6,289	-	-	6,289
580-590	Other Decreases and Financing Uses	11,492	5,117	6,375	-
Net Increase (Decrease) in Cash and Investments:		51,859	(5,117)	35,993	14,293
508	Ending Cash and Investments	190,438	-	83,993	96,092

		631 Agency Remittance	650 Current Expense
308	Beginning Cash and Investments	437	3,226
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	5
380-390	Other Increases and Financing Sources	6,685	-
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	-	-
Net Increase (Decrease) in Cash and Investments:		6,685	5
508	Ending Cash and Investments	7,122	3,231

The accompanying notes are an integral part of this statement.

Town of Yarrow Point
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2012

		Total for All Funds (Memo Only)	601 WNP Endowment	622 Street Performance	623 Wetherill Nature Preserve
308	Beginning Cash and Investments	120,372	48,429	37,024	31,697
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	18,567	2,161	-	16,401
370-390	Other Increases and Financing Sources	62,028	-	10,225	45,473
510-570	Expenditures	11,773	-	-	11,773
580-590	Other Decreases and Financing Uses	50,616	45,473	(750)	-
Net Increase (Decrease) in Cash and Investments:		18,206	(43,312)	10,975	50,101
508	Ending Cash and Investments	138,578	5,117	47,999	81,799

		631 Agency Remittance	650 Gifts and Bequests
308	Beginning Cash and Investments	-	3,222
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	4
370-390	Other Increases and Financing Sources	6,330	-
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	5,893	-
Net Increase (Decrease) in Cash and Investments:		437	4
508	Ending Cash and Investments	437	3,226

The accompanying notes are an integral part of this statement.

Town of Yarrow Point

For the Year Ended December 31, 2014

Note 1 - Summary of Significant Accounting Policies

The Town of Yarrow Point was incorporated on June 30, 1959 and operates under the laws of the state of Washington applicable to a Municipality, Class 4. The Town of Yarrow Point is a general-purpose local Town and provides public safety, fire prevention, street improvements, parks and recreation, health and social services, and general administrative services.

The Town of Yarrow Point reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Town-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the Town are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The Town's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

TOWNAL FUND TYPES:

General Fund

This fund is the primary operating fund of the Town. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the Town.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the Town or its citizenry.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the Town on a cost reimbursement basis.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent on behalf of others.

Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other Towns.

Agency Funds

These funds are used to account assets that the Town holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law the Town also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

The Town of Yarrow Point adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
#001 Current Expenditures	945,248	942,411	2,836
#101 Street	109,763	107,965	1,798
#103 Contingency	0	0	0
#104 Community Development	482,043	414,012	68,031
#211 Bond Redemption	3,043	3,043	0
#301 Capital Improvement I	75,000	80,000	-5,000
#304 Capital Improvement IV	80,000	80,000	0
#311 Construction Projects	462,990	102,412	360,578
#401 Stormwater	113,927	105,102	8,825
#601 WNP Endowment	0	0	0
#622 Street Performance Bond Trust	55,813	19,081	36,732
#623 Wetherill Nature Preserve	24,520	14,479	10,040
#631 Agency	6,394	4,797	1,597
#650 Gifts and Bequests			0

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the town's legislative body.

D. Cash and Investments

See Note X, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5000 and an estimated useful life in excess of 5 years. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Sick leave may be accumulated up to 500 hours. Upon separation or retirement employees do receive payment of 12 % of unused sick leave. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note X, *Debt Service Requirements*.

H. Other Financing Sources or Uses

Other Financing Sources or Uses consist of Operating Transfers-In and Operating Transfers-Out.

I. Risk Management

The Town of Yarrow Point is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 153 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually. Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

J. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by ordinance. When expenditures that meet restrictions are incurred, the Town of Yarrow Point intends to use reserved resources first before using unreserved amounts.

For this fiscal year there are no Reservations of Ending Cash and Investments.

Note 2 - Property Tax

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed at the end of each month.

Property tax revenues are recognized when cash is received by Town of Yarrow Point. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The Town of Yarrow Point's regular levy for the year 2014 was \$.62871 per \$1,000 on an assessed valuation of \$ 823,602,382 for a total regular levy of \$\$526,366.

Note 3 – Deposits and Investments

Deposits and Investments

It is the Town of Yarrow Point's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

All investments are insured, registered or held by the Town of Yarrow Point or its agent in the Town's name.

Investments are reported at original cost. Investments by type at December 31, 2014 are as follows:

<u>Type of Investment</u>	The Town's own investments	Investments held by The Town as an agent for other local Towns, individuals or private organizations.	
L.G.I.P.	\$ _____	\$ _____	\$ _____
U.S. Town Securities	_____	_____	_____
Other: _____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Total	\$ _____	\$ _____	\$ _____

Securities Lending Transactions

Derivatives

Note 4 – Debt Service Requirements

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the Town of Yarrow Point and summarizes the Towns debt transactions for year ended December 31, 2014.

The debt service requirements for general obligation bonds, revenue bonds and other, including both principle and interest, are as follows:

	<u>General Obligation Debt</u>	<u>Revenue Debt</u>	<u>Other Debt</u>	<u>Total Debt</u>
20____	\$ _____	\$ _____	\$ _____	\$ _____
20____				
20____				
20____				
20____				
20_ - 20_				
	_____	_____	_____	_____
TOTALS	\$ <u>none</u>	\$ <u>none</u>	\$ <u>none</u>	\$ <u>none</u>

Note 5 - Interfund Loans

The following table displays interfund loan activity during 2014:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 1/1/2014</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/2014</u>
		\$ _____	\$ _____	\$ _____	\$ _____
		_____	_____	_____	_____
	TOTALS	\$ <u>none</u>	\$ <u>none</u>	\$ <u>none</u>	\$ <u>none</u>

Note 6 - Pension Plans

Substantially all Town of Yarrow Point full-time and qualifying part-time employees participate in the Public Employees' Retirement System Plan 2 (PERS II) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the Town of Yarrow Point financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

Note 7 - Other Disclosures

On July 1, 1988, the towns of Yarrow Point and Hunts Point accepted a donation of property to be known as the Wetherill Nature Preserve. The towns agreed to share equally the costs incurred in the maintenance and preservation of the property to the extent private donations are not available for the purpose. Any donations received will be maintained by the Town of Yarrow in fund 623. Direct expenses incurred in the operation and maintenance of the preserve are paid by the Town of Yarrow from that fund.

NOTE 1 - SUMMARY OF ACCOUNTING POLICES

The Town of Yarrow Point reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The Town of Yarrow Point was incorporated on June 30, 1959 and operates under the laws of the state of Washington applicable to a Municipality, Class 4. The Town is a general-purpose government and provides public safety, fire prevention, street improvements, parks and recreation, health and social services, and general administrative services. The Town uses single-entry, cash-basis accounting, which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the Town of Yarrow Point are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprise its cash, investments, revenues and expenditures or expenses, as appropriate. The Town's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the Town.

GOVERNMENTAL FUND TYPES:

Current Expense Fund

This fund is the primary operating fund of the Town of Yarrow Point. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for revenues that are legally restricted or designated to finance particular activities of the Town.

Debt Service Funds

These funds account for the accumulation of resources to pay principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are designated for the acquisition or construction of general government capital improvements

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent on behalf of others.

Expendable Trust Fund

These funds account for assets from which both the principal and interest may be spent.

Non-expendable Trust Fund

These funds account for assets from which the principal may not be spent.

Agency Fund

These funds are used to account for assets that the Town holds for others in an agency capacity.

b. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year's budget appropriations as required by state law.

In accordance with state law the Town of Yarrow Point also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

c. Budgets

Annual appropriated budgets are adopted for all funds. Annual appropriated budgets are adopted at the fund level. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for all funds lapse at the fiscal period end. This is the level at which the budget was approved. For the purposes of the financial statements, these three funds are summarized under Fund 001, General Expense.

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
#001 Current Expenditures	910,246	899,475	10,770
#101 Street	105,641	101,879	3,761
#103 Contingency	0	0	0
#104 Community Development	301,350	244,646	56,704
#211 Bond Redemption	43,928	36,946	6982
#301 Capital Improvement I	185,000	185,000	0
#304 Capital Improvement IV	185,000	185,000	0
#311 Construction Projects	333,489	173,956	159,533
#401 Stormwater	23,778	7,208	16,570
#601 WNP Endowment	45,427	5,117	40,310
#622 Street Performance Bond Trust	34,500	6,375	28,125
#623 Wetherill Nature Preserve	20,776	6,289	14,487
#631 Agency	6,489	0	6,489
#650 Gifts and Bequests			0

The Town is authorized to transfer budgeted amounts between departments within a fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the Town Council.

d. Cash

It is the Town's policy to invest all temporary cash surpluses. The amount is included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

e. Deposits

The Town's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission (PDPC).

f. Investments

See Note 3 - Investments.

g. Capital Assets

Fixed assets are long-lived assets of the Town and are recorded as expenditures when purchased.

h. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement.

Sick leave may accumulate up to 500 hours. Upon normal service retirement employees receive payment for 12% of unused sick leave.

i. Long-Term Debt

See Note 5 – Long-Term Debt

j. Other Financing Sources Or Uses

The Town's "Other Financing Sources or Uses" consists of Operating Transfers-In and Operating Transfers-Out.

k. Risk Management

The town of Yarrow Point is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 153 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

NOTE 3 - INVESTMENTS

The Town's investments are insured, registered or held by the Town or its agent in the Town's name.

Investments by type at December 31, 2013 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
Investment in Local Government Investment Pool on 12/31/13	1,542,146.01

NOTE 4 - PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed after the end of the month.

Property tax revenues are recognized when cash is received by the Town. Delinquent taxes are considered fully collectible because a lien affixes to the property after are levied.

The Town's regular levy for 2012 was 0.75630 per \$1,000 on assessed valuation of \$ 673,896,896 for a total regular levy of \$ 512,035.

NOTE 5 - INTERFUND LOANS AND ADVANCES

There were no interfund loans and advances in 2013.

NOTE 6 - LONG-TERM DEBT

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of the Town and summarizes the Town's debt transactions for 2004. On July 8, 2003, the Yarrow Point Town Council approved a \$750,000 Councilmanic bond to finance the 92nd Ave Improvements and Utility Undergrounding project. The last payment on this bond was made in 2013 and there are no remaining debt service requirements.

NOTE 7 - PENSION PLANS

All Town full-time and qualifying part-time employees participate in the Public Employees' Retirement System Plan 2 (PERS II) administered by the Department of Retirement Systems, under cost-sharing multiple-employee public employee retirement systems. Actuarial information is on a system-wide basis and is not considered pertinent to the Town's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained at:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

NOTE 1 - SUMMARY OF ACCOUNTING POLICES

The Town of Yarrow Point reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The Town of Yarrow Point was incorporated on June 30, 1959 and operates under the laws of the state of Washington applicable to a Municipality, Class 4. The Town is a general-purpose government and provides public safety, fire prevention, street improvements, parks and recreation, health and social services, and general administrative services. The Town uses single-entry, cash-basis accounting, which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the Town of Yarrow Point are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprise its cash, investments, revenues and expenditures or expenses, as appropriate. The Town's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the Town.

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Special Revenue Funds

These funds account for revenues that are legally restricted or designated to finance particular activities of the Town.

Debt Service Funds

These funds account for the accumulation of resources to pay principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are designated for the acquisition or construction of general government capital improvements.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent on behalf of others.

Expendable Trust Fund

These funds account for assets from which both the principal and interest may be spent.

Non-expendable Trust Fund

These funds account for assets from which the principal may not be spent.

Agency Fund

These funds are used to account for assets that the Town holds for others in an agency capacity.

b. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year's budget appropriations as required by state law.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

c. Budgets

Annual appropriated budgets are adopted for all funds. Annual appropriated budgets are adopted at the fund level. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for all funds lapse at the fiscal period end. This is the level at which the budget was approved.

For the purposes of the financial statements, these three funds are summarized under Fund 001, General Expense.

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
#001 Current Expenditures	1,032,371	966,829	65,542
#101 Street	76,024	72,880	3,144
#103 Contingency	0	0	0
#104 Community Development	255,000	252,029	2,971
#211 Bond Redemption	88,883	88,884	(1)
#301 Capital Improvement I	45,000	45,000	0
#304 Capital Improvement IV	45,000	45,000	0
#311 Construction Projects	20,000	14,965	5,035
#401 Stormwater	40,317	24,687	15,630
#601 WNP Endowment	45,473	45,473	0
#622 Street Performance Bond Trust	34,500	(750)	35,250
#623 Wetherill Nature Preserve	9,280	11,772	(2,492)
#631 Agency	19,529	5,893	13,636
#650 Gifts and Bequests			0

The Town is authorized to transfer budgeted amounts between departments within a fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the Town Council.

d. Cash

It is the Town's policy to invest all temporary cash surpluses. The amount is included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

e. Deposits

The Town's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission (PDPC).

f. Investments

See Note 3 - Investments.

g. Capital Assets

Fixed assets are long-lived assets of the Town and are recorded as expenditures when purchased.

h. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement.

Sick leave may accumulate up to 500 hours. Upon normal service retirement employees receive payment for 12% of unused sick leave.

i. Long-Term Debt

See Note 5 – Long-Term Debt

j. Other Financing Sources Or Uses

The Town's "Other Financing Sources or Uses" consists of Operating Transfers-In and Operating Transfers-Out.

k. Risk Management

The town of Yarrow Point is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 153 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

NOTE 3 - INVESTMENTS

The Town's investments are insured, registered or held by the Town or its agent in the Town's name.

Investments by type at December 31, 2012 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
Investment in Local Government Investment Pool on 12/31/12	1,248,381.16

NOTE 4 - PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed after the end of the month.

Property tax revenues are recognized when cash is received by the Town. Delinquent taxes are considered fully collectible because a lien affixes to the property after are levied.

The Town's regular levy for 2012 was 0.74751 per \$1,000 on assessed valuation of \$ 670,291,171 for a total regular levy of \$ 509,879.

NOTE 5 - INTERFUND LOANS AND ADVANCES

There were no interfund loans and advances in 2012.

NOTE 6 - LONG-TERM DEBT

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of the Town and summarizes the Town's debt transactions for 2004. On July 8, 2003, the Yarrow Point Town Council approved a \$750,000 Councilmanic bond to finance the 92nd Ave Improvements and Utility Undergrounding project. Remaining debt service requirements, including interest, are as follows:

General Obligation Bonds

2013	44,383
Total	44,383

NOTE 7 - PENSION PLANS

All Town full-time and qualifying part-time employees participate in the Public Employees' Retirement System Plan 2 (PERS II) administered by the Department of Retirement Systems, under cost-sharing multiple-employee public employee retirement systems. Actuarial information is on a system-wide basis and is not considered pertinent to the Town's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained at:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

**Town of Yarrow Point
Schedule of Liabilities
For the Year Ended December 31, 2014**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
259.11	absences		-	-	-	-
	Total General Obligations:		-	-	-	-
Revenue Obligations						
259.12	compensated		21,840	-	3,388	18,452
	Total Revenue Obligations:		21,840	-	3,388	18,452
	Total Liabilities:		21,840	-	3,388	18,452

**Town of Yarrow Point
Schedule of Liabilities
For the Year Ended December 31, 2013**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
251.11	Bank Loan for Construction	6/22/2013	43,888	-	43,888	-
259.11	Compensated Absences		-	21,840	-	21,840
Total General Obligations:			43,888	21,840	43,888	21,840
Total Liabilities:			43,888	21,840	43,888	21,840

**Town of Yarrow Point
Schedule of Liabilities
For the Year Ended December 31, 2012**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
251.11	Bank Loan for construction	6/22/2013	129,864	-	85,976	43,888
Total General Obligations:			129,864	-	85,976	43,888
Total Liabilities:			129,864	-	85,976	43,888

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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